

Release of refunds: FBR's 'go slow' policy adds to industry's woes

An intended "go slow" policy of the Federal Board of Revenue (FBR) in the release of sales tax refunds and implementation of zero-rating regime on other input supplies has added salt to the industry's injury, as the mounting liquidity crunch is hitting its viability across the board. Billions of rupees sales refunds are lying unattended in the field formation over the last seven to eight years. No Refund Payment Order (RPO) has been cleared after April 2016 and a substantive amount of the industry is stuck up with the Board, said sources.

Similarly, the FBR has processed 30 out of over 500 applications filed by the industry against their input supplies, they added. It may be noted that the FBR had rolled back the refund claims a few months back on the pretext that the ERS was also accepting claims against packing material. This system glitch has forced the industry to pay through nose as all the refund claims were suspended forthwith. This situation led to liquidity shortage.

The sources claimed that the Ministry of Finance was showing it as its revenue at the cost of industry's viability as the industry can rotate this amount by four times to enhance productivity. Similarly, treating of the zero-rating regime on other input supplies like electricity, gas, coal, furnace and diesel is also dormant after introduction of the regime in 2016. Industry sources said the regime requires fulfillment of 40 pre-conditions by a manufacturing unit before applying for zero-rate tax on the inputs. Resultantly, this amount is also turning into refunds and the objective of the regime has been unmet since its promulgation, they added.

The FBR sources, on the other hand, question the claims filed by the industry under the head of refunds, saying that the claims belong to the year 2004 but no proof has ever been produced by the claimants. So far as the input supplies are concerned, they said all such claims are supposed to be handled under the Expeditious Refund System (ERS) which is not functioning properly to deal such claims. In addition, the ERS is unable to handle the local supplies which are known as indirect exports.

The sources told *Business Recorder* that various regional tax offices (RTOs) and Large Taxpayer Units (LTUs) are following different strategies to handle such claims. However, they admitted that lack of a uniform policy on processing such claims

has slowed down the clearance of refund claims that is causing uncertainty in the industry circles. They said a discriminatory approach of the RTUs and the LTUs has defeated transparency in the whole process. The field officers linger on the processing of such claims for three to four months and the FBR adds another three to four months before finalizing recommendation for the settlement of such claims.

Copyright Business Recorder, 12/10/2017